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Department appreciates well-reasoned recommendations contained in reftels and has been giving question of reply to Libyan demands of March 18 continuous study. While forthcoming response to these demands would appear desirable for many reasons, there are other reasons which would make it desirable to attempt retain same arrangements which we have had in past and to avoid what would amount to renegotiation of Base Agreement. We have in mind fact we have ~~exemp~~ contractual agreement with GOL and that in spite press and governmental agitation King Idris personally has indicated no dissatisfaction with it. Concessions made to present government would not guarantee that successor government would not reopen matter. In fact such concessions might only serve as challenge to successor.

With regard Base Agreement we have in mind informing Kubar that we do not consider it practical to renegotiate present agreement at mid-term, which would entail Congressional consultation (with respect to commitment for additional funds identified as "rental") and considerable delay; that we remain sympathetic

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RETURNED BY: J.M.Raz DATE: 5/6/82

Drafted by: AF:AFN:RBParker:nf 7/2/59

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to Libya's budget problems and are willing consider these problems ~~on annual~~ basis; and that in any case it seems evident Libyan financial situation will ease considerably in foreseeable future as result anticipated oil revenues.

We realize there number risks inherent in such approach. One is that Kubar may resign rather than admit failure obtain renegotiation of base agreement and another is that approach would serve to harden Libyan opposition to us. However we feel it may be worth trying and its reception may disclose actual firmness Libyan position this matter. We would suggest that perhaps approach should be made to King and Kubar at the same time or perhaps initially to King alone, since we believe his attitude will be most important single factor. Embassy's comments re usefulness and practicability this approach requested.

With regard FY 1960 MSP aid, we view unrestricted cash grants undesirable at best. Believe it possible meet in positive way strong Libyan criticism alleged American control of project selection and implementation (reported Benghazi's G-41) by voicing support planned Development Council, noting anticipation IBRD report, and stating in view these two developments and our friendship for Libya US will be prepared discuss more flexible than normal financing in future FY 60 aid negotiations.

Herter

(D) MURPHY

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